AEMC

REVIEW OF THE REGULATORY FRAMEWORK FOR METERING SERVICES

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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PROJECT DETAILS

NAME OF RULE CHANGE:	**Review of the regulatory framework for metering services**
PROJECT CODE:	**EMO0040**
PROPONENT:	**AEMC**
SUBMISSION DUE DATE:	**11 February 2021**

CHAPTER 1 – INTRODUCTION

1. Consideration of other market reforms and related work	
1.1 Are there other significant market reforms that are likely to impact the metering framework that the Commission has not	Not at this time

identified?	
21.2. Is there additional related work that the Commission should consider in this metering review?	
2. **Assessment framework** – Do you agree with the Commission's proposed Assessment Framework for this review? Are there any additional criteria we should consider as a part of this framework?	Yes

CHAPTER 3 – THE CURRENT STATE OF METERING

3. Expectations of meter rollout	
3.1 How does the roll out of smart meters to date compare with your expectations?	Expectation that the roll out would lower overall cost, increase the speed of change, and be optimal compared to the 'Basic' meters. The expectation was that the new technology would be an advance and lower cost compared to the old technology. This is not what has been delivered to the market.
3.2 Is the current pace of smart meter deployment appropriate? What should be the appropriate pace of rollout?	
3.3 What benefits are smart meters providing consumers? Have the benefits changes or improved over time?	Actual near real time usage and Actual Usage billing. Not in tangible operationally or commercial acceptable terms. There is certainly not the value in the additional services that have costs associated to the consumer market. Consumers do not agree with the value i.e. there is no propensity to pay for those services.
3.4 have the prices for smart meters plus the costs of associated products and services changed from the introduction of *Competition in metering?* If so, how?	Prices are significantly higher than NSP pricing, which is variable with meter type, region, and geographic location i.e. urban vs. regional vs. rural pricing model. High variability between MC pricing. The manner in which the market has been configured, it is not an open and competitive market. AEMC and AER did not consider that once a meter is deployed at a premise, there is no commercially viable option to change the MC at said premises. MC's could install meters in Greenfields in agreement with construction companies, and then those premises are locked to that MC for a minimum of 8 to 10 years. That does not allow for open competition or

	Power of Choice. This gap could be exploited by MCs with price and service variations for which retailers, and as a result, consumers are subject to increased prices. MC's may be able to install multiple meters at a single premise, which retailers are expected to pay. There are occasions where there is no technical requirement to install multiple meters. This is an exceptional risk of gouging and monopolisation. Furthermore, where multiple meters are installed, the MCs apply a charging mechanism that doubles the cost for the premises. This may result in metering daily costs that are an order of magnitude higher than the NSP daily meter maintenance and capital recovery charges. This practice has a direct input to higher retail pricing for consumers as Smart Meter penetration increases. This when compared to the NSP metering cost, which does not change regardless of the number of meters, is an uncontrolled cost for retailers, with no regulatory or commercial recourse. This retailer recommends that AEMC look to establish increased freedom for retailers to change MC's without the requirement for Early Termination Fees. Whether through establishment of rules that MC's need to be able to interchange the various meters in the market, or through a non-passthrough cost of the early agreement termination charge. Either option introduces pressures on the MC that will prevent price gouging or diminished service quality. Additionally, the mechanism for which MCs can charge for the metering at a location requires controls. There cannot be an open-ended ability for MCs to install multiple meters, resulting in potentially quadruple daily metering costs for a premise, when compared to NSP metering charges. This issue requires AEMC to establish rules to limit the exposure to retailers and consumers, whilst also enabling MC's to recover costs associated where multiple meters are installed… There is a standard required for residential metering to prevent unnecessary meter installations.
4. Are incentives in the right place?	
4.1 Are the incentives in relation to smart meter rollout correct? Please provide details on why/why not.	No. The commercial pressure is on the retailer due to higher pricing. There are significant operational conditions in the marketplace that increase retailer operational costs and additional challenges in customer engagement. For example, when intending to install a Smart Meter where there is remediation required onsite due to compliance of meter panels, shared fusing, unsafe metering distribution boards/panels, the likelihood of meter replacement is low.

	These scenarios have no solution under the NER or NERR and are additional operational costs that retailers would prefer not to deal with. In many cases, retailers have determined they are unsuitable operational costs to incur. This aspect ties directly into the AEMC assumed benefits of Smart Meters… Certainly there are benefits to the industry, however, all of the cost, complexity, and negative impacts are directly attributed to the Retailers, with marginal positive outcomes. Retailers are commercially best positioned to only manage the minimum Smart Meter engagement possible to reduce cost and operational risk. This is a clear and obvious flaw in the previous thinking with regards to Smart Meter deployment. This retailer is supportive of the objective of the Smart Meter rollout, and associated industry benefits that the intelligent edge will bring. However, it is strongly recommended that the AEMC consider the cost impact to retailers and Metering Co-ordinators, and consider appropriate cost distribution or mitigation for retailers, so that Smart Meter deployment is no longer a detrimental commercial and operational impact.
4.2 Is the current market structure financially viable? If not, for whom is it not financially viable?	Potentially not. The MC commercials effectively constrain retailers, which limits changing MC providers due to the commercially prohibitive costs associated with the changing of the meter and ending the existing MC agreement. Retailers have commercially limiting factors that effectively limits the ability to choose the MC when bringing a customer onboard that already has a Smart Meter installed. This is a risk for the retailers that will result in higher pricing as the MCs pivot from rollout, to operate and may potentially increase pricing. The operational cost and detrimental commercial impacts are not sustainable by retailers in an already increasingly challenging environment, without seeing an increase in retail pricing.
5. Drivers of smart meter roll out	
5.1 What were your expectations regarding the drivers of smart meter rollouts?	The expectation was that this would reduce overall market costs and result in lower prices for the market. This is not the case. There is also increased complexity with multiple tiered pricing for multiple meter types which does not exist on the Basic Meter model and is not supported in wholesale systems i.e. not readily available to be determined pro-actively by the consumer or retailer. There is the additional operational complexity as previous described as it applies to non-smart meter ready premises.
5.2 Has there been any changes in the overall reasons for installing smart meters	In certain circumstances, the installation of a Smart Meter is advantageous as it enables the change of NSP Tariff to a more suitable option.

since the *Competition in metering* rule commenced?	
5.3 Which parties should be responsible for driving the roll out of smart meters?	The deployment of Smart Meters is a benefit for the network operator, NSPs, Retailers and Customers. It is the view of this retailer that the responsibility for defining the roll out sits with regulatory bodies, however, the commercial burden should be distributed across the participants as all parties are beneficiaries which would assist with accelerating the rollout. It is important that the AEMC recognise the practical operational challenges and costs that the retailer and MCs carry due to premises that are not able to have smart meters installed as a result of internal cabling and capacity constraints.
5.4 Do consumers have clear information on the benefits of smart meters and their rights relating to requesting a smart meter?	Yes, however, the assumed benefits are overvalued by the regulatory bodies. Customers value accurate billing and, to a much lesser degree, the additional granularity. But these are not valued to the extent of the cost of the meters. Customers have a minimum expectation of billing accuracy and timely billing. The electricity market is the only market that does not provide this as a standard expectation.
6. **Customer experience** – what are your views on the customer experience in relation to smart meter rollout and installation?	This is varied and complex based on the MC, region, and the retailer. We have taken a proactive position and actively promote the installation of Smart Meters as part of our Electricity Plans. A significant effort was invested in the customer facing messaging, documentation, and experience of the meter replacement journey. This is not a zero-cost exercise, which may influence the approach taken by other retailers. There are also numerous operational exceptions that require case management which have operational costs that are non-recoverable. This is again directly associated to the commercial burden on the retailer with Smart Meter deployment.
7. Industry Cooperation	
7.1 Do you have any suggestions on how industry cooperation can be improved?	There is a major gap in the rules regarding non-compliant customer premises equipment. A clear determination is required as to how non-compliant customer premises equipment is to be remediated. The other breakdown in industry cooperation is pertaining to the ability to effectively determine tariff selection when smart meters are installed. There is no market specification for the configuration of demand registers on smart meters which prevents the realisation of the market benefit of demand business intelligence. Furthermore, this lack of standard results in unnecessary and operationally costly demand tariff change failures. This retailer strongly suggests that the AEMC consider the

	introduction of further configuration standards for the deployment of Smart Meters. There is a requirement for industry standards to prevent further variation and confusion in the market, thus unnecessary inefficiencies, reduced visibility, and increased operational costs are present e.g. Set a standard configuration for Smart Meter demand registers.
7.2 Are changes to the market structure or roles and responsibilities needed to improve the consumer experience?	The following areas require investigation and consideration: MC pricing and monopolisation risks. There is no competitive pressure once an MC is embedded at a supply address. The responsibility for investigating faults when identified is incorrectly placed on the Retailer. The MC should be exclusively responsible for identifying a fault, and the associated service assurance steps. The Retailer should be Informed, but not Responsible in these cases. Remediation responsibility and resolution timeframes for non-compliant customer premises equipment, and shared fusing.
8. Expectations of metering services	
8.1 What expectations did you have around the services that smart meters would provide?	Near real time usage data Reduced operating costs, where in reality the operating costs are vastly increased.
8.2 What services are being provided by smart meters currently? Are these services widely available?	Minimum required output. Remote re-energise and de-energise is coming online Additional functionality with commercials.
8.3 What services dd you expect from smart meters which have not eventuated?	Access to near real time usage data Near real time outage notifications
8.4 Are there any services being provided by smart meters which were not anticipated at the time of the *Competition in metering* rule change?	

CHAPTER 4 – THE FUTURE STATE OF METERING

9. Collection and use of metering data	
9.1 In relation to metering data, what data should be captured by smart meters, and why?	
9.2 In relation to metering data, who should be able to access metering data, and how? What protections should be in place?	Data should only be accessible to participants that require the data to provide the service (likely FRMP for the service and NSP for the network maintenance and provisioning). Macro level data can be more readily available to other market participants and regulatory bodies i.e. Personal data should be anonymised and macro data used for network

	performance and maintenance.
9.3 What impact do you think the Consumer Data Rights may have on the access to, and use of, metering data?	
10. Future metering services	
10.1 What is your understanding of the other services that smart meters can provide?	
10.2 What future services do you expect or want metering to facilitate?	Near real time access to utilisation data
10.3 If additional services are to be provided by smart meters, how should the costs of providing these services be allocated?	To the beneficiaries of the value. Retailers bear the brunt of the Smart Meter costs yet are not the sole beneficiary of the value.
11. Penetration of smart meters required	
11.1 Are particular metering services only cost effective when a particular penetration is achieved? If so, what services and what penetration is required?	
11.2 What other factors are important in determining whether the provision of particular services are efficient or effective (e.g. geographic spread).	

CHAPTER 5 – ARE CHANGES REQUIRED TO THE REGULATORY FRAMEWORK?

12. Encouraging the adoption of smart meters and future services	
12.1 Is the current regulatory framework appropriate for the current needs of metering and the market? Is it flexible enough to provide encouragement for the development of future services in metering?	Only partially. The costs are higher than the consumer perceived value provided by the services. i.e. the consumer values the benefit of additional information and accurate billing but not at a commercially different price point, the consumer expectation is that the smart meter upgrade is primarily a benefit of the network, as such the network should pay for it. The lack of universal pricing and supply introduces business risk that negates any innovation.
12.2 To encourage the higher adoption of smart meters: (a) What changes, if	Remove the monopoly parameters as it applies to the commercial constraints in changing meters at a supply address.

any, need to be made to the current regulatory framework for metering services? (b) What changes, if any, need to be made to other instruments? (e.g. regulatory instruments, guidelines, codes)	The current environment for MCs allows the establishment of an effective commercially restrictive monopoly. The exit price from an existing MC at a premise is so high that there is no commercial model that allows a switch of MC, thus there is no choice than to continue with the existing MC. Acknowledging that MCs are recovering costs over time, if there was a mechanism where retailers could switch the MC without the replacement of the Smart Meter. There can then be a process where that cost recovery over time is handled between MCs. This could be the transferal of ownership and cost of the Smart Meter, or simply a commercial arrangement to pass-through some ongoing amount over time that enables the original MC to recover the long-term cost of the Smart Meter installation. Without such a mechanism, the current regulations do nothing to stop the mini monopolies that are being established and thus no realised competition between MCs.
12.3 Are there any other avenues of encouragement that are available that the Commission has not considered in this paper?	
13. Barriers to realising the benefits of smart meters	
13.1 Are there other barriers that were not identified by the Commission that you have found to prevent the realisation of benefits of smart meters and/or slowed the rollout of smart meters in the NEM?	The ability for a retailer to end an MC agreement is required, where the retailer has the option to change out a supply address from one MC to another. At this time, this is commercially prohibitive and may result in the monopolisation of MC services at a supply address once an MC is embedded. The commission has, in this retailer's opinion, vastly overvalued the benefit that consumers see in Smart Meters vs. the cost to operate and provide those services. There has also been an assumption that consumers will understand, desire, and choose more complicated and volatile retail electricity plans. This runs counter to other utility services where complex plans and pricing has been retired in favour of simple single rate all included plans e.g. Telecommunications. Consumers seek lower electricity bills that are straightforward and easy to understand. Introducing more volatility and complexity in retail pricing is the opposite of all other utility pricing models and offers. This retailer recommends that the AEMC conduct audit of consumer behaviour outside of the electricity industry to better gauge the trends from outside the energy market from similar industries.
13.2 What changes, if any, need to be made to the current regulatory framework for current arrangements to improve deployment?	Provide leadership and clarification to address remediation issues/challenges. Consider the commercials of the Smart Meters. How does regional and rural cost more per year compared to

	urban? The mobile connectivity costs are no different? Where are the extra costs for regional metering being generated? Determine the suitability of this charging model to ensure that regional and rural customers are not being disproportionately impacted with higher costs vs. urban customers. Establish a minimum meter configuration requirement that enables industry tariff progression to demand tariffs, without generating additional cost for retailers via meter reconfiguration charges. Remove the monopolisation risk once a Smart Meter is installed at a supply address.
13.3 Are there other tools outside of the regulatory framework that may address some of the current barriers to realising the benefits of smart meters and/or the slower rollout of smart meters in the NEM?	As noted, there are various options to decrease the barriers to increasing smart meters, however, much of which still require variation to the existing rules, or the introduction of new rules, that will enable positive change. Interoperability of smart meters will open the door to reduced ongoing costs to the industry. This is a commercial and operational fix, however, there will be no advancement without regulatory action.

OTHER COMMENTS

14. Information on additional issues	One of the benefits for retailers in the simplified service transfer change at the network level with reduced complexity and effort. However, there are a number of further restrictions and increased risk to the service transfer process. Service Transfers can occur more immediately, but where there are service transfers without the customer consent (i.e. illegal service transfers), these occur more quickly and do not have the appropriate controls and penalties to prevent illegal service transfers. The expectation is that this will increase, as evidenced by similar technology changes in other utility sectors such as Telecommunications Local Number Portability and Mobile Number Portability. Further information can be provided on request. This is a terrible customer experience outcome as the responsibility for resolving this illegal service transfer behaviour is currently placed on the consumer to resolve.