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26 February 2021

Mr Ed Chan
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Chan,

Re: Review of the regulatory framework for metering services consultation paper

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Commission (the Commission) on the review of the regulatory framework for metering services consultation paper (the consultation paper).

The contestability in metering service reforms have supported advanced metering to be installed at consumers' properties and provided consumers with a wide range of new products and services. However, there remain a number of barriers limiting consumers from accessing the full benefits of smart meters as well as a number of risks that may impede further smart meter uptake in the future.

Red and Lumo support the Commission examining the regulatory framework; it is crucial that consumers, and consumer choice remain at the center of all recommendations. Consumers are best positioned to make choices not only on their metering needs but also on the tariffs and products that suit their specific circumstances. The Commission must ensure that any regulatory changes proposed from the review not only support but enhance the choice of consumers.

Value and benefit of metering

Customers must be the ultimate driver of the uptake of smart metering, as they make choices to install equipment at their premises. Smart meters themselves do not provide benefits, however, the services that they unlock do. The data available from smart meters allow customers, or their agents, to make choices on retail product offering (including tariff structure), and the likely benefits of installing distributed energy resources such as solar PV and/or batteries.

While the metering reforms aimed to provide a range of benefits for consumers the Commission predicted that the costs for consumers would reduce over time with the improvement to the economies of scale of smart meters. In our view, the full extent of these expected benefits are yet to be realised.

This is mainly due to the current barriers to install smart meters and a notable contributor is network metering costs. The introduction of the metering contestability reforms has transferred the cost burden transfer from networks to retailers. However, the increased costs borne by retailers have up until this point not been met with a commensurate reduction in the costs charged to retailers for metering by networks.

The regulated metering charges made by networks to retailers varies, but is in most cases approximately \$40 per meter per annum. The annual metering costs charged by metering coordinators (MCs) to retailers for smart meters (capital cost of the meter and a simple installation) varies by meter function and geographic location but is approximately \$100 to \$150 per meter per annum. Additional installation costs (which may include provision of antennas, asbestos handling procedures, replacement of fuses) are also incurred. To date, the Australian Energy Regulator has failed to account for these additional costs in their setting of the Default Market Offer.

More concerning is that distribution networks (most pronounced for Ausgrid) continue to incorporate capital recovery for meters that have been removed in their charges, leading to higher costs for consumers. The Commission must examine this charging approach for distribution networks. With a particular focus on whether there should be a change in approach for network charging for metering services since the introduction of competitive metering.

Information sharing from distribution networks

Although retailers and MCs are responsible for the installation of smart meters, there remains a significant lack of information provided by the distribution networks who installed the original basic meter at the property. There remains no compelling incentive, commercial or otherwise, for the distribution networks to provide important information voluntarily so we see a need to prescribe additional obligations to improve consumer outcomes.

Currently, distribution networks hold important site information including the existence of shared fuses, multi-occupancy, distributor access keys, location and access arrangements. However, in many instances this information is not freely shared with the retailer nor the MC. As a result, MCs are often forced to carry out multiple visits to locate, access and address pre-existing issues at a site before installing a new meter. This has hampered the ability of retailers and MCs to successfully install smart meters on the initial visit, leading to delays, increased cost and consumer detriment.

Distribution networks in certain states have also been reluctant to provide access keys to MCs to carry out meter exchanges. In Queensland, for example there is currently a process for the provision of distributor keys to MCs however this does not occur in South Australia and New South Wales leading to further ongoing access issues. Distribution networks should be proactively working to facilitate the sharing of all existing site information and access arrangements to allow MCs to be aware of and prepared for any pre-existing issues before attending the site. As it presumably is in the distribution networks interest to have a smart meter installed.

While Red and Lumo acknowledge the Commission's work to facilitate meter installations at difficult sites with the MC Planned Interruption Rule Change, there remains ongoing difficulties for retailers and MCs accessing information from the distribution networks. The Commission must fully examine the lack of site information being provided by distribution networks and consider any potential rule changes mandate that distribution networks must share more information and provide increased support to facilitate the roll out of smart meters.

Furthermore, MCs and retailers remain unaware of the wider status of existing metering assets including forecasts of meter malfunctions or the number of aged assets which are due for replacement. Distribution networks have often either refused to provide or have given insufficient information on the age of assets currently installed or the projections of future replacements.

This situation has led to MCs being forced to organise supplies of meters with limited information often leading to the inefficient allocation of existing resources. Distribution networks should be required to share detailed information on existing assets and expected replacement with other participants to allow MCs to better plan work schedules and resources to ensure the most efficient, lowest cost options for meter installations to the benefit of consumers.

State based regulations

One of the biggest challenges to the roll out of smart meters and to consumers accessing the benefits of smart meters remains jurisdictional specific regulations and restrictions on remote services. Despite the metering reforms being introduced to allow smart meters to be installed nationally the actual installation and operation of smart meters continues to be dictated by State Government regulations. New South Wales, for example, has until recently had a derogation in place which stops remote power connections and disconnections being carried out which eliminates one of the key benefits and costs savings for smart meter customers.

There are a wide range of both formal and informal restrictions that are in place in a number of jurisdictions most notably Queensland and South Australia.

Under the recent Smarter Homes regulatory changes in South Australia for example, retailers are now unable to install 1 phase 1 element meters and instead must install at least 1 phase 2 element (due to the fact that one element must be available for solar inverter remote control irrespective of the dwelling type). This has meant that MCs and retailers must now supply and configure completely different meters to South Australia as opposed to other states. These different regulations not only increase the cost of smart meter deployments for retailers and for MCs but jurisdictional derogations continue to restrict key benefits for consumers.

Red and Lumo strongly recommend that the Commission examine jurisdictional regulations as part of its metering review and where possible make recommendations to Energy Ministers that work towards a consistent single set of regulations for smart metering across all jurisdictions. This would not only

help facilitate the installation of smart meters but would also help to reduce costs for retailers and therefore consumers by improving economies of scale and avoiding inconsistencies.

Mandated roll out of smart meters

The Commission must resist any push by any party for a mandated smart meter roll out similar to the Victorian model. Although the Victorian roll out of smart meters is now complete, it has been widely regarded as plagued by poor customer experiences, while generating large costs for limited customer benefit. The key objective of the Power of Choice review was to ensure consumers, and customer choice were central to the reforms. The original rule change in fact noted that “it will be up to consumers to make choices based on the benefits as they perceive them provided by end use services. The benefit to the system will be realised through the choices that consumers make.”¹

Although Red and Lumo acknowledge potential concerns around the delays in the installation of smart meters, it is crucial that consumers are able to have smart meters rolled out as needed (which leads to much more acceptance).

Instead of mandating a smart meter roll out in a specific form or seeking to mandate installation targets that involve the replacement of functioning meters even when a customer does not want a smart meter, the Commission should work to reduce barriers to retailers to carry out smart meter installations proactively.

The Commission should review the existing rules related to a retailer planned deployment. We consider that the onus placed on retailers creates barriers to installing smart meters, in particular where the customer is part of a shared fused installation. Although consumer choice must be protected, the installation of a smart meter will occur organically as evidenced in the consultation paper. Consumers must be educated on all aspects of the smart meter roll out including instances where meter exchanges are mandated (such as new connections) as well as empower consumer choice to request smart meters and a more pragmatic approach to the regulations undertaken by the Commission to reduce barriers to the installation of smart meters.

Customer education

Despite work from retailers to support the roll out of smart meters there remains some consumer resistance to their installation and a lack of knowledge on responsibilities for costs associated. Although retailers will often bear the costs for the meter installation or incorporate the costs as part of ongoing charges, consumers seem unaware of their responsibilities in relation to site rectification for the smart meter installation. These include asbestos in the meter board, wiring upgrades and other problems on the consumer side of the meter that are the customer's responsibility to address. However, often when consumers are advised about the costs or work that must be done to rectify the

¹ Australian Energy Market Commission, National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2014, Consultation paper, piii

site issues before meter installation become reluctant to agree to the smart meter installation despite this being necessary for safety requirements and to meet necessary installation standards.

Red and Lumo are also concerned by reports of ombudsman schemes receiving complaints from consumers about meter installations and their associated costs and electing to refer the complaints back to retailers rather than properly educating consumers on their obligations. There have also been instances of retailers being encouraged to bear the cost of the associated upgrade to resolve the initial complaint.

We consider the Commission should review whether there are opportunities for retailers, ombudsman, as well as the relevant safety regulators, to educate consumers on smart meters to ensure a consistent and clear approach for all consumers. To that end, the Commission should examine and consider how much this lack of education and communication from authorities (including ombudsman schemes) has hampered the roll out of smart meters. Any examination should include all relevant stakeholders and consider if there is a need for an official campaign launched to explain the operation and safety of smart meters as well as the responsibilities consumers have for rectification of issues at their property to facilitate a smart meter installation.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and the ACT to over 1 million customers.

Red and Lumo thank the Commission for the opportunity to respond to its consultation paper. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd