



Government
of South Australia

Department for
Energy and Mining

Our Ref: D21039908

Ms Anna Collyer
Chair
Australian Energy Market Commission
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Dear Ms Collyer

Review of the Regulatory Framework for Metering Services – Australian Energy Market Commission Directions Paper (EMO0040)

The Energy and Technical Regulation Division (the Division) of the South Australian Department for Energy and Mining thanks you for the opportunity to comment on the Review of the Regulatory Framework for Metering Services (the Review) – Directions Paper.

As mentioned in the Division's submission to the Review's consultation paper, low system demand is a challenge that must be managed in South Australia. The Australian Energy Market Operator (AEMO) has advised that, without action, low system demand conditions could represent a real risk of the supply of electricity being disrupted to the South Australian community.

The government is already implementing priority actions to mitigate the risks associated with low system demand in South Australia. Actions include the Smarter Homes initiatives, Retailer Energy Productivity Scheme, Home Battery Scheme and Demand Management Trials. These actions seek to stabilise and improve the low system demand trajectory.

Accelerating the roll out of smart meters

South Australia is committed to an orderly transition of our electricity supply to net 100 per cent renewable. By an orderly transition, we mean reliability outcomes are preserved and competitive prices are delivered. Achieving this orderly transition will require changes in both the supply side and demand side of the market.

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Smart meters are a critical enabling tool for this transition:

- The data provided by a smart meter is now essential for informed consumer choice about their electricity use and technology
- The data provided by a smart meter can assist distribution network businesses to better integrate distributed energy resources and increase their ability to host such resources
- Smart meter functionality can dynamically optimise customer electricity use with household generation and incentives.

The Division is supportive of competition in metering; however, the Division has been disappointed at the speed with which smart meters have been rolled out to small customers.

The competition in metering framework selected a market-led deployment based on arguments that competition, as opposed to regulation, is more likely to drive innovation in products and services and facilitate the deployment of advanced meters and services to consumers at the lowest possible cost.

Unfortunately, the anecdotal barrier that is cited in relation to the widespread development of innovative products and services is the lack of a critical mass of small customers with smart meters.

As a result, matters critical to helping customers optimise their electricity use are only in their infancy, including:

- innovative tariffs and plans rewarding customers for managing their demand
- options for dynamic optimisation of electricity use.

The smart meter roll out is therefore being driven by regulatory requirements associated with new and replacement meters (new dwellings and faulty meters) and the installation of distributed energy resources.

Given competition in metering commenced on 1 December 2017 without further regulatory intervention, the deployment of smart meters to small customers will be a slow process.

Noting our early comments regarding the importance of smart meters to consumers and the electricity sector in the transition of our electricity supply, the Division supports regulatory intervention to accelerate the smart meter roll out.

Of the potential options canvassed in the Australian Energy Market Commission's (the Commission) directions paper to accelerate the roll out of smart meters, the Division supports in principle the following options:

- The option requiring meters to be replaced once they have reached a certain age, for example 30 years, under an aged replacement roll out.

- Setting targets for the roll out under which the responsible party will be required to replace a certain percentage of their customers' meters with smart meters annually.

The Division considers that these options, compared to the others in the directions paper, are likely to ensure the most immediate acceleration of smart meters.

Age trigger for meter replacements

As mentioned in the directions paper, this option provides a level of forward certainty and could allow metering parties to develop an efficient and sustainable meter replacement plan. Additionally, this approach pre-emptively prevents future breakdowns or malfunctions of meters of a certain age. The need for testing and inspection of meters could be reduced if older meters were replaced.

This approach is also an objective approach and therefore should negate consumer concerns regarding fairness. Consumers should also benefit from a reduction of replacements due to the meter being faulty. A faulty meter is to the consumer's detriment as it results in a need for billing on an estimated basis.

There are of course risks with any regulatory approach that will need to be managed. There is the potential for stakeholder resistance as working meters may be replaced. This matter can be managed through strong consumer engagement.

The option may also not be supported by some retailers who may not be able to manage increased rollout numbers. Design choices may result in different impacts across retailers and across customers. Further, the meter fleet age cohorts could be distorted.

These risks can be managed through the implementation approach. For example, ensuring the replacement period allowed is sufficient to enable retailers to replace stock of older meters in the timeframe. Consultation on the maximum number of meters that it is feasible to replace in a jurisdiction in an annual period would assist in the development of the implementation approach.

Concerns may also be raised that the approach is less efficient for retailers to the extent older meters are widely distributed (geographically), which could increase costs and/or make compliance more difficult. The Division notes, however, that the current roll out of meters is geographically diverse. Increasing the number of meters being rolled out should therefore improve efficiency from the current state.

Setting annual percentage-based targets for the roll out

This option provides greater certainty that the meter replacement rate increases as the scheme can specify regulated rates that are higher than current business as usual rates. The annual obligation, however specified, ensures some acceleration occurs from the outset, and that the retailer does not delay replacing meters.

Additionally, this approach, by being numbers based, can be more efficient for retailers. They can target their implementation to geographic areas over time.

There is significant risk that consumers will, however, not accept this approach. It is possible that if retailers implement a broad customer opt out model the targets will be achieved. Conversely, if such a model is unsuccessful, consumers may raise concerns regarding fairness if there is customer targeting to achieve targets.

This approach could result in newer meters being replaced and unclear messaging regarding why a particular customer has been targeted for a meter replacement.

Other considerations for this approach include that the implementation timeframe must be short enough to achieve a meaningful acceleration in the smart meter installation rate, whilst also providing sufficient time to avoid unacceptable capital and installation costs for impacted retailers. The monitoring and compliance requirements for this approach is another important consideration.

Access to data

The Division agrees with the Commission's assessment that the current arrangements for negotiating and utilising power quality data that the meter can provide are inefficient.

There is already evidence that power quality data will be essential for some networks to be able to successfully integrate high penetrations of distributed energy resources. This is coupled with continued consumer interest in installing distributed energy resources to manage their electricity costs and contribute to addressing climate change issues.

A recent trial by SA Power Networks, supported by the government's Demand Management Trials Program, established that voltage data from smart meters can be used where there is limited network visibility to maintain or improve customers' power quality and increase the amount of solar that can be connected to the network.

It would be inefficient for distribution businesses to install their own technology due to inconsistencies in the availability, quality and timeliness of power quality data.

At a fundamental policy level, whilst there is competition in metering, once a meter is installed at a consumer's site, data access is essentially being sought from a monopoly. Given retailers engage the Metering Coordinator, there is a risk that these arrangements may act as a barrier to third party data access.

The Commission should consider including some regulatory protections to ensure availability and efficient access to power quality data. Whilst the Division considers that a negotiation framework may be appropriate to obtain such data, consideration should be given to data standards, price regulation and dispute resolution.

Amendments to the installation process to improve efficiencies

The Division welcomes the direction paper's recommendations to improve customers' experience and reduce delays in meter replacement. As noted in the paper, the smart meter installation process currently has several inefficiencies and barriers impacting the successful completion of meter installation attempts.

The Division agrees with the Commission's view that the regulatory framework should give small customers the right to request a smart meter from their retailer for any reason, and that their retailer should be required to install a smart meter upon receipt of such a request. It is concerning that stakeholders have indicated that some retailers are currently refusing customers' requests to install smart meters.

Clear and timely requirements regarding installation of meters, including malfunctioning meters, should also be included in the National Electricity Rules. The Division supports implementing a practicable replacement timeframe for malfunctioning meters.

The South Australian Government thanks the Commission for the work on this review.

Should you have any questions in relation to this submission, please contact Mr Justin Ward, Senior Policy Officer, Energy and Technical Regulation Division, on (08) 8429 0707.

Yours sincerely



Vince Duffy
**EXECUTIVE DIRECTOR,
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